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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director


Division of Oil, Gas and Mining
JOHN R. BAZA
Division Director

Inspection Report

Minerals Regulatory Program

Date Submitted: **08/20/2014**

Reviewed 

Mine Name: Bonanza Mine	Permit Number: M/47/0010	Permit Fees: Paid	
Operator Name: American Gilsonite Company	Inspection Date: 08/20/2014	Bond Amount: \$546,000.00	
Inspector(s): A. Abate	Time: 12:00 PM	Bond Escalation: 6/2012	
Others: Dean Richins, Nick Lott-Company; V. Hughes, S. 	Mine Status: Active		
Elements of Inspection	Evaluated	Comment	Enforcement
1. Permits, Revisions, Transfer, Bonds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Public Safety (shafts, adits, trash, signs, highwalls)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Protection of Drainages/Erosion Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Deleterious Material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Roads (maintenance, surfacing, dust control, safety)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Reclamation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. Backfilling/Grading (trenches, pits, roads, highwalls, shafts)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Soils	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Revegetation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Purpose of Inspection

Met with all parties to discuss bonding and permitting issues. OGM issued a directive to provide an up to date permit for the Bonanza mine by Nov. 2014. This would be considered a large mine permit and was to incorporate all other permitted sites under AGC. Another option discussed today was to permit the veins individually so long as the cumulative footprint did not exceed 10 acres. The plant sites would need to be taken into account in these acreage measurements, not just the individual shaft set ups. AGC said they would weigh these options and get back to me within a month with their decision. They will also send me an updated spreadsheet with the current activities and correct bond amounts. BLM, the company, and OGM were all in agreement that the bonding costs for one typical shaft set up is approximately \$32,000. The active permits current are: Bonanza M/47/0010; Cottonwood M/47/0064 and two exploration permits: ML-849 & ML-851 E/47/0045; E/47/0040 Willow Creek vein. Discussed with AGC that exploration permits are only valid for one year, otherwise they need to close out if no mining is planned, extend if absolutely necessary, or switch over to a small or large mine permit if mining is planned.

Inspection Summary

AGC has been working at reclaiming several of their set ups this year. The following sites have been reclaimed: Little Emma - 6, Wagon Hound 17, 18, 19. We visited each of these sites with the BLM.

WH-17

This is located on private ground and was totally reclaimed.

WH-18

Half BLM, half private. Totally reclaimed with the exception of the access road which cannot be reclaimed until the power company pulls the power lines out, then the road will be reclaimed.

WH-19

This is located on BLM ground. Some Gilsonite staining was on the ground. Clark, the mine manager said he would clean it up. Otherwise, the site is totally reclaimed.

LE-20

This is located on private ground. The site is totally reclaimed with the exception of the hoist house foundation on the side of the road. Clark said that would be removed. Everything else looked good.

LE-8 East

This site was on SITLA but it was turned over to BLM. This site was reclaimed about a year ago. Former SITLA, now BLM. Vegetation was growing the problem is it was halogeten. I asked Dean Richins if he was using certified weed-free seed and he indicated it was. Halogeten weeds unfortunately are a problem in this region. They grow first, then eventually get out competed by the other plants. Will continue to watch.

LE-6

This site is on BLM ground. Totally reclaimed. There was a berm in the center of the drainage that should be excavated out. Transformers will be removed by the power company.

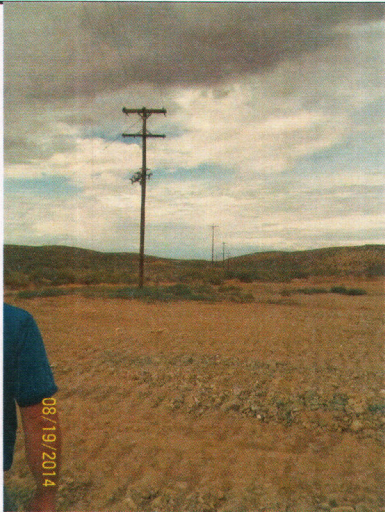



Conclusions and Recommendations

AGC will make a decision whether to permit all sites under one LMO, or permit individual vein sites under several SMOs. The Division Directive issued on March 4, 2014 required an updated mine plan by November 1, 2014. AGC will also provide an updated version of the individual site spreadsheet, which include land ownership and the current bond information for each shaft set up. This information will be used to accurately calculate bond information, this includes both bonds held by the BLM as well as the bonds held by DOGM.

Inspector's Signature: _____

CC: vhughes@blm.gov

File: /nrwogmfs1/OGM/GROUPS/MINERALS/WP/M047-Uintah/M0470010-AGC/inspections/AGC-08202014.pdf

 <p>08/19/2014</p>	 <p>NO VEHICLES BEYOND THIS POINT AREA UNDER RECLAMATION</p> <p>08/19/2014</p>
<p>Wagon Hound 17 reclamation area.</p>	<p>Wagon Hound 18 reclamation area.</p>
 <p>08/19/2014</p>	 <p>08/19/2014</p>
<p>Wagon Hound 19 reclamation area. Note gilsonite staining in the background.</p>	<p>Sample of native vegetation near the Wagon Hound 17,18,19 areas.</p>



Wagon Hound 19 area still has power lines. These power lines will be removed by the power company. Once that happens, the access road will be reclaimed.



Little Emma 20 reclaimed area.



Little Emma 20 area still had the remains of a hoist house. This foundation will need to be removed.



Little Emma 8 East. This site was reclaimed about a year ago. Vegetation was growing but the problem was that it was mostly halogeten.